

## A PARADIGM SHIFT IN TAX COLLECTION

by:

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Do we need a change in our laws or a change in attitude to improve our tax collection? If the laws are fundamentally flawed, they need to be amended; but if the problem is that they are poorly enforced, then what needs to be changed is the mindset and behavior of those who enforce the laws.

To my mind, there is a need to change the mentality of government employees (and not just those responsible for tax collection!), from one that regards a government job as a sinecure requiring no work, to one that focuses on, and is rewarded for, the production and delivery of output. The passage of the lateral attrition bill is a step in that direction.

The lateral attrition law aims to solve the problem of low tax collection through a system of rewards and punishments. Government employees who exceed their tax collection targets are rewarded with cash incentives and promotions, while the inefficient ones will be transferred and/or separated from the service. It is a carrot and stick scheme intended to plug the huge tax leaks in the bureaucracy.

Those who object to the law raise the following arguments: (1) The incentives under the measure are miniscule considering that the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) are exempt from the salary standardization law; (2) The law only institutionalizes the “parte-parte” system by giving government employees rewards for doing what they are supposed to do in the first place; (3) The measure is unjust as it, in effect, blames the rank and file employees for poor tax collection; (4) It does not address the fundamental reasons behind the government’s poor tax collection; (5) It is an admission by the government of institutionalized graft and corruption; (6) The rewards system taints the character of public office; (7) The measure is only good for the private sector but not to government agencies because the collection performance are based on external factors like inflation and oil price fluctuations.

To these objections, one might counter that all employees whether in private firms or the public sector should be recognized for performing well, and penalized or transferred when they perform below par; whether we admit it or not, graft and corruption have long existed in government, and we need measures to discourage and reduce their high incidence; and inflation and oil price fluctuations affect other entities also, but don’t prevent the latter from setting performance targets and rewarding those who achieve them.

The problem of poor tax collection may be traced to the attitude of the people collecting the tax and not the laws imposing them. Even if we have a tsunami of new revenue measures, they will hardly make a dent on the problem unless there is a change in the morale, enthusiasm and attitude of the people collecting them. In other words, there is a need for a paradigm shift. The passage of the lateral attrition bill would be the impetus of this change in attitude.

In a nutshell, the measure would improve the performance of revenue collecting agencies since they will be encouraged to perform better. By rewarding employees, lateral attrition nurtures a culture of efficiency; and upholds the constitutional principle that “public office is a public trust”. It would weed out the bad eggs and discourage mediocrity and inefficiency –the Filipino “pwede na” attitude. It would likewise discourage graft and corruption since part of the tax collected would go the people collecting it. Instead of pocketing the taxes, they would be encouraged to remit them to the government coffers since a portion would be given to them later as a form of incentive. It likewise sends a strong signal to the people that the government is serious in its tax collection efforts. Furthermore, the measure would raise revenue without imposing new taxes.

For as long as the performance system is fair, just and reasonable, the measure should live up to expectations. We have had the same system of collecting taxes for many years now and the results have been consistently low. It is high time to shift focus and zero in on the root cause of the problem - the culture of mediocrity or “pwede na” in the government service, and change it to a performance-based culture.

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